

**STATE OF NEW MEXICO
DEPARTMENT OF ENERGY, MINERALS AND NATURAL RESOURCES
OIL CONSERVATION DIVISION**

**APPLICATION OF MARATHON
OIL PERMIAN LLC FOR A NON-STANDARD
SPACING AND PRORATION UNIT
AND COMPULSORY POOLING,
EDDY COUNTY, NEW MEXICO.**

CASE NO. 16302

APPLICATION

Marathon Oil Permian LLC ("Marathon"), OGRID Number 372098, through its undersigned attorneys, hereby makes an application to the Oil Conservation Division pursuant to the provisions of NMSA (1978), Section 70-2-17, for an order: (1) creating a non-standard 320-acre, more or less, spacing and proration unit in the Bone Spring formation, comprised of the W/2 E/2 of Sections 16 and 21, Township 24 South, Range 28 East, NMPM, Eddy County, New Mexico; and, (2) pooling all mineral interests in the Bone Spring formation underlying this proposed spacing and proration unit. In support of this application, Marathon states as follows:

1. Marathon is an interest owner in the subject lands and has a right to drill a well thereon.
2. Marathon seeks to dedicate the W/2 E/2 of Sections 16 and 21, Township 24 South, Range 28 East, NMPM, Eddy County, New Mexico to form a 320-acre, more or less, oil spacing and proration unit.

3. Marathon plans to horizontally drill the **Dobro Federal 24-28-16 TB 6H and Dobro Federal 24-28-16 SB 8H** wells within this spacing and proration unit to a depth sufficient to test the Bone Spring formation.

4. The wells that Marathon seeks to drill will comply with the setback requirements established under the Division's rules.

5. Marathon sought, but has been unable to obtain a voluntary agreement from all interest owners in the Bone Spring formation underlying the proposed spacing and proration unit to participate in the drilling of the wells or to otherwise commit their interests to the wells.

6. Approval of the unit and the pooling of all interests in the Bone Spring formation underlying the proposed spacing unit will prevent the drilling of unnecessary wells, prevent waste and protect correlative rights.

WHEREFORE, Marathon requests this application be set for hearing before an Examiner of the Oil Conservation Division on July 12, 2018, and after notice and hearing as required by law, the Division enter an order:

A. Creating a non-standard oil spacing and proration unit in the Bone Spring formation comprised of the W/2 E/2 of Sections 16 and 21, Township 24 South, Range 28 East, NMPM, Eddy County, New Mexico.

B. Pooling all mineral interests in the Bone Spring formation underlying this spacing and proration unit;

C. Designating Marathon as operator of this unit and the wells to be drilled thereon;

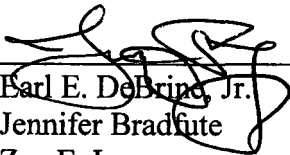
D. Authorizing Marathon to recover its costs of drilling, equipping and completing these wells;

E. Approving actual operating charges and costs charged for supervision, together with a provision adjusting the rates pursuant to the COPAS accounting procedure; and

F. Setting a 200% charge for the risk involved in drilling and completing the wells in the event a working interest owner elects not to participate in the wells.

Respectfully submitted,

MODRALL, SPERLING, ROEHL, HARRIS
& SISK, P.A.

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CASE NO. _____: Application of Marathon Oil Permian LLC for a non-standard spacing and proration unit and compulsory pooling, Eddy County, New Mexico. Applicant seeks an order from the Division: (1) creating a non-standard 320-acre, more or less, spacing and proration unit in the Bone Spring formation, comprised of the W/2 E/2 of Sections 16 and 21, Township 24 South, Range 28 East, NMPM, Eddy County, New Mexico; and, (2) pooling all mineral interests in the Bone Spring formation underlying this proposed non-standard spacing and proration unit. This proposed spacing and proration unit will be the unit for the **Dobro Federal 24-28-16 TB 6H and Dobro Federal 24-28-16 SB 8H** wells, to be horizontally drilled. The producing area for the wells will be orthodox. Also to be considered will be the cost of drilling and completing said wells, the allocation of these costs as well as the actual operating costs and charges for supervision, designation of Marathon as operator of the wells, and a 200% charge for risk involved in drilling said wells. Said area is located approximately 1-1 ½ mile west of Malaga, New Mexico.